

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2019

Docket No. ACR2019

CHAIRMAN'S INFORMATION REQUEST NO. 15

(Issued February 13, 2020)

To clarify the basis of information provided by the Postal Service in its FY 2019 Annual Compliance Report (ACR), filed December 27, 2019,¹ the Postal Service is requested to provide written responses to the following requests. Answers should be provided to individual requests as soon as they are developed, but no later than February 20, 2020.

UPS Questions

1. In response to Docket No. ACR2018, CHIR No. 5, question 8,² the Postal Service stated that there was no data maintained on the frequency of second runs, where a city carrier's route must be traversed a second time in order to deliver overflow volumes (including situations where the overflow volumes are solely or primarily parcel volumes), which are then classified as letter route costs.³

¹ United States Postal Service FY 2019 Annual Compliance Report, December 27, 2019 (FY 2019 ACR).

² Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 5, February 5, 2019.

³ Docket No. RM2017-9, Responses of the United States Postal Service to Questions 1-15, 19-20, and 23 of Chairman's Information Request No. 1, August 9, 2017, question 15 b. ("The workhours associated with any remaining parcels delivered as part of a second run would be classified as letter route costs.").

- a. Given the opportunity for improvement acknowledged by the Commission,⁴ and notwithstanding the changes to the attribution of measured Special Purpose Routes (SPRs) costs resulting from Docket No. RM2019-6, has the Postal Service made any progress to date in attempting to measure the prevalence of second runs? If so, please describe such efforts in detail.
 - b. Please describe any future plans the Postal Service has to ensure that hours spent by carriers on second runs that are incorrectly clocked as regular delivery time will be clocked to SPRs, or otherwise recorded as second runs.
2. Please describe how the Postal Service attributes depreciation costs associated with the Enhanced Package Processing System.
 - a. How large were these depreciation costs in FY 2019?
 - b. Please indicate the shares of these costs that are attributed, respectively, to Competitive Domestic Mail and Services, Competitive International, and Market Dominant Mail and Services.
 - c. Lastly, what share is treated as Institutional Costs?
3. Please refer to Library References USPS-FY19-1, December 27, 2019, and Library Reference USPS-FY19-2, December 27, 2019.
 - a. In Docket No. ACR2019, "Other Costs" are reported as \$35.199 billion in Library Reference USPS-FY19-1 and \$36.746 billion in Library Reference USPS-FY19-2. Please confirm that the \$1.547 billion difference in institutional costs between USPS-LR-1 and USPS-LR-2 is driven by and equal to the sum of Group Specific and Group Inframarginal Costs⁵ as well

⁴ Docket No. ACR2018, Annual Compliance Determination Report, April 12, 2019, at 123.

⁵ USPS-FY19-LR1, Public_FY19CRA_Expanded.xlsx.

as Final Adjustments⁶ for Total Domestic Competitive, Total Domestic Market Dominant, and Total International Costs.⁷

- b. Please confirm that International Group Specific Costs (\$68.3 million in FY 2019) are treated as International Product Specific Costs in the Cost Segments and Components Report (USPS-FY19-LR2).
 - c. Please explain why Product Specific Costs for “Total All Mail and Services” from USPS-FY19-1⁸ exclude \$68.3 million in International Group Specific Costs while “TOTAL VOL VAR & PROD SPEC” costs from USPS-FY19-2⁹ appears to include the \$68.3 million.
4. In ACR2017, in response to Chairman’s Information Request No. 8, the Postal Service indicated four reasons underlying the “Final Adjustments” in the FY17Public.DRpt.xlsx file contained in USPS-FY17-31.¹⁰
- a. Please indicate which of these adjustments still pertain and underlie the adjustments in the corresponding file in the current ACR docket.
 - b. Please describe any additional reasons for the Final Adjustments in Column D of FY19Public.DRpt.xlsx file contained in USPS-FY19-31.
 - c. Please provide a breakdown of Column D, specifying the Final Adjustment amount associated with each of the reasons listed in your responses to parts a) and b) of this question.

⁶ USPS-FY19-LR31, FY19Public.DRpt.xlsx.

⁷ $\$1.547B = \$44.920B \text{ Total Attributable Cost [Cell F108]} - (43.014 \text{ Total VVC [Cell H108]} + \$0.275B \text{ Total PS [Cell J108 + Cell N107]} + \$0.084B \text{ Total Vol Var \& Prod Spec Final Adjustment [Cell D64]})$. All cell references in above calculation are to USPS-FY19-LR1, FY19CRA_Expanded.xlsx except for the Final Adjustment, which can be found in USPS-FY19-LR31, FY19Public.DRpt.xlsx.

⁸ USPS-FY19-LR1, Public_FY19CRA_Expanded.xlsx.

⁹ USPS-FY19-2, FY19Public Cost Segs and Comps.xlsx

¹⁰ Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-15 of Chairman's Information Request No. 8, January 29, 2018, question 7.

5. The Postal Service's 10-K Form for 2019 reports that the Postal Service "purchased approximately 4,000 new vehicles to add to our fleet during 2019, at a cost of approximately \$289 million."
 - a. Please provide an inventory of the type, including cubic footage, and intended purpose, of the 4,000 vehicles purchased in FY 2019.
 - b. Please describe how the depreciation associated with these new vehicles (as opposed to the entire fleet, which is summarized in component 20.2) is attributed to products. Specifically, what share is attributed to market dominant products, what share is attributed to competitive products, and what share is treated as institutional?

By the Chairman.

Robert G. Taub